中國白銀集團
CHINA SILVER GROUP

CHINA SILVER GROUP LIMITED
中國白銀集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 815)

FURTHER ANNOUNCEMENT OF THE AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the announcement of China Silver Group Limited (the "**Company**") dated 29 March 2022 (the "**Unaudited Annual Results Announcement**") in relation to the unaudited annual results of the Company and its subsidiaries (collectively, the "**Group**" or "**we**") for the year ended 31 December 2021 (or the "**current year**", "**this year**" or "**during the year**"), together with the comparative audited figures for the year ended 31 December 2020 (or the "**last year**", "**prior year**" or "**previous year**").

AUDITED ANNUAL RESULTS

The board of directors (individually, a "**Director**", or collectively, the "**Board**") of the Company is pleased to announce that the Group's auditor, Moore Stephens CPA Limited, has completed its audit of the annual results of the Group for the year ended 31 December 2021, including the financial figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto, in accordance with International Financial Reporting Standards.

DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

The financial information contained in the Unaudited Annual Results Announcement was neither audited by nor agreed with Moore Stephens CPA Limited as at the date of its publication. In accordance with Rule 13.49(3)(ii)(b) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the Board is pleased to announce that except the shaded disclosures in this announcement, there are no material differences between the unaudited financial information contained in the Unaudited Annual Results Announcement and the audited financial information contained in this announcement (excluding, for the avoidance of doubt, the section headed "OTHERS" on page 57 to 63 of this announcement). Specifically, except that the "loss on disposal of property, plant and equipment" recorded by the Manufacturing segment was renamed as "loss on write-off and disposal of property, plant and equipment" and its amount was adjusted from RMB10,579,000 to RMB10,597,000, all financial figures and corresponding totals, percentages, ratios and comparative figures remain unchanged.

The audited annual results for the year ended 31 December 2021 and the accompanying management discussion and analysis were approved by the Board on 13 May 2022, details of which are set out below. Changes made to the corresponding disclosures in the Unaudited Annual Results Announcement are shaded for ease of reference.

DISCLAIMER OF AUDIT OPINION

Shareholders' and potential investors' attention is hereby drawn to (i) the section headed "OTHERS – Extract of the Independent Auditor's Report" on pages 59 to 62 of this announcement, which sets forth an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2021 in respect of a disclaimer of opinion arising from certain matters; and (ii) the section headed "FINANCIAL REVIEW – Additional Information regarding the Disclaimer of Audit Opinion" on pages 54 to 56 of this announcement, which sets forth additional information provided by the Company regarding the aforesaid disclaimer of opinion.

HIGHLIGHTS OF 2021 ANNUAL RESULTS

- Revenue decreased to approximately RMB2,303.5 million, representing a significant decrease of approximately 51.6% as compared to that for 2020.

- Loss attributable to owners of the Company was approximately RMB2,412.9 million, as compared to a profit attributable to owners of the Company for 2020 of approximately RMB227.5 million. Such turnaround from profit to loss is mainly attributable to (i) the one-off write-off of inventories of approximately RMB2,408.5 million of the Manufacturing segment and (ii) a substantial decrease in segment revenue and gross profit of the Manufacturing segment, both due to the suspension of production of Jiangxi Longtianyong, a major subsidiary under the Manufacturing segment, from 26 April 2021 onwards and the consequential rectification measures.

- The segment revenue of the Manufacturing segment involving the production of silver, gold, palladium, other precious metals and the metal by-products derived therefrom decreased to approximately RMB1,891.9 million, representing a significant decrease of approximately 56.3% as compared to that for 2020 and recorded a segment loss of approximately RMB2,420.9 million (2020: segment profit of approximately RMB239.5 million), mainly due to the aforesaid suspension of production and rectification measures.

- The segment revenue of the New Jewellery Retail segment operated by CSMall Group resulted in an increase of approximately 4.7% to approximately RMB364.0 million and the segment profit was approximately RMB9.8 million, representing a slight increase of approximately 2.8% as compared to that for 2020, mainly due to the combined effect of (i) the net reversal of impairment loss recognised in respect of trade receivables during the year and (ii) the decrease of administrative expenses as compared to that for 2020, as largely offset by the increase in cost of sales from the sales of gold products with relatively lower gross profit margin during the year.

- The segment profit of the Silver Exchange segment was approximately RMB31.0 million, representing a significant decrease of approximately 55.9% as compared to that for 2020, mainly due to the stable international silver price during the year which reduced investors' willingness to trade and thus resulted in a decrease in trading volume.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	**2,303,523**	4,759,330
Cost of sales and services provided		**(2,164,578)**	(4,326,130)
Gross profit		**138,945**	433,200
Other income, net		**6,268**	10,145
Other gains and losses	6	**(11,138)**	(9,714)
Selling and distribution expenses		**(30,400)**	(28,318)
Administrative expenses		**(99,815)**	(96,636)
Research and development expenses		**(1,488)**	(2,430)
Other expenses		**(2,081)**	(4,154)
Reversal of (provision for) impairment loss under expected credit loss model, net	13	**9,004**	(10,465)
Write-off of inventories	11	**(2,408,511)**	–
Net loss on termination of assignment contract in relation to acquisition of a land use right	12(iv)	**–**	(27,441)
Finance costs		**(14,181)**	(10,984)
(Loss) profit before tax		**(2,413,397)**	253,203
Income tax credit (expense)	7	**6**	(47,420)
(Loss) profit for the year	8	**(2,413,391)**	205,783
Other comprehensive expense, net of income tax			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in an equity instrument at fair value through other comprehensive income ("**FVTOCI**")		**(30)**	(1,556)
Total comprehensive (expense) income for the year		**(2,413,421)**	204,227

	NOTE	2021 RMB'000	2020 RMB'000
(Loss) profit for the year attributable to:			
Owners of the Company		**(2,412,925)**	227,502
Non-controlling interests		**(466)**	(21,719)
		(2,413,391)	205,783
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(2,412,955)**	225,946
Non-controlling interests		**(466)**	(21,719)
		(2,413,421)	204,227
		RMB	*RMB*
(Loss) earnings per share	*10*		
Basic		**(1.482)**	0.139
Diluted		**(1.482)**	0.139

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**141,790**	147,032
Right-of-use assets		**23,777**	25,515
Intangible assets		**97,208**	100,938
Deferred tax assets		**8,626**	15,966
Refundable rental deposits		**996**	1,096
Equity instrument at FVTOCI		**7,377**	7,407
Deposits paid on acquisition of non-current assets		**1,294**	19,749
		281,068	317,703
CURRENT ASSETS			
Inventories	*11*	**1,054,154**	2,577,583
Trade and other receivables	*12*	**69,035**	304,155
Restricted bank balances		**100,415**	76,370
Pledged bank deposits		**40,000**	47,008
Bank balances and cash		**316,805**	1,192,989
		1,580,409	4,198,105
CURRENT LIABILITIES			
Trade, bills and other payables	*14*	**335,349**	529,583
Trade loans	*15*	**–**	10,000
Lease liabilities – current portion		**3,965**	6,659
Contract liabilities		**19,531**	53,284
Deferred income		**2,182**	2,066
Income tax payable		**9,060**	27,074
Bank borrowings	*16*	**230,000**	205,000
		600,087	833,666
NET CURRENT ASSETS		**980,322**	3,364,439
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,261,390**	3,682,142

	2021	2020
	RMB'000	*RMB'000*
CAPITAL AND RESERVES		
Share capital	**13,284**	13,284
Share premium and reserves	**387,802**	2,800,757
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**401,086**	2,814,041
Non-controlling interests	**832,221**	832,687
TOTAL EQUITY	**1,233,307**	3,646,728
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**9,803**	18,260
Lease liabilities – non-current portion	**4,378**	2,114
Deferred income	**13,902**	15,040
	28,083	35,414
TOTAL EQUITY AND NON-CURRENT LIABILITIES	**1,261,390**	3,682,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 19 July 2012 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 28 December 2012.

The addresses of the registered office is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and principal place of business of the Company is Room 1416, China Merchants Tower, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are (i) the manufacture, sale and trading of silver ingots, palladium and other non-ferrous metals in the People's Republic of China (the "**PRC**"); (ii) design and sale of gold, silver, coloured gemstones, gem-set and other jewellery products in the PRC; and (iii) provide professional electronic platform and related services for trading of silver ingots.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021" which are mandatorily effective for annual reporting periods beginning on or after 1 April 2021.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the other amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 (the "2021 Amendment")

The Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions" in prior year and the 2021 Amendment in the current year. The 2021 Amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 "Leases" by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

2.2 Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 "Inventories")

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2018 – 2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going concern basis

For the year ended 31 December 2021, the Group incurred a loss of RMB2,413,391,000 which is mainly attributable to the write-off of inventories in the amount of RMB2,408,511,000 as a result of certain inventory of raw materials from the operating segment of manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC which is carried out by the Group's wholly-owned subsidiary, Jiangxi Longtianyong Nonferrous Metals Co. Ltd. ("**Jiangxi Longtianyong**"), being deemed to be hazardous waste and ordered to be disposed of and the loss on write-off and disposal of property, plant and equipment of RMB10,597,000 including the rectification measure of demolition of non-compliant facilities in accordance with the competent governmental authorities' requirements amounting to RMB7,634,000 as well as the enhancement of production processes and replacement of dilapidated equipment amounting to RMB2,963,000. Further details of the suspension of production and subsequent developments are set out in the Company's announcements dated 7 June 2021, 25 August 2021 and 22 February 2022.

As of 31 December 2021, the Group had current assets of RMB1,580,409,000, current liabilities of RMB600,087,000, net current assets of RMB980,322,000 and net assets of RMB1,233,307,000. However, when the Group excluded the current assets of RMB1,480,243,000 and current liabilities of RMB108,239,000 that are attributable to its non-wholly-owned subsidiary, CSMall Group Limited ("**CSMall Cayman**") (which separately listed on the Stock Exchange on 13 March 2018, and as at the date of this announcement, the Company held approximately 40.39% interest in the issued share capital of CSMall Cayman), the then current liabilities would exceed its current assets by RMB391,682,000 and the Group had net liabilities of RMB163,782,000, in which included the liabilities attributable to the Group excluding CSMall Cayman are bank borrowings amounted to RMB230,000,000 of which RMB10,000,000 due in February 2022 and RMB70,000,000 due in March 2022, bill payables of RMB80,000,000 that will be partially settled by pledged bank deposits of RMB40,000,000 and the remaining RMB40,000,000 due in February 2022, while its unrestricted bank balances and cash only amounted to RMB4,156,000.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of its business.

In order to improve the Group's financial positions, liquidity and cash flows, the directors of the Company have adopted or in the process of adopting the following measures:

(a) In light of the circumstances of the Group's production halt of Jiangxi Longtianyong, the Group acted in a timely manner to obtain and create all conditions in fixing and rectifying facilities and environment so as to enable Jiangxi Longtianyong to resume production, Jiangxi Longtianyong has been working to upgrade and enhance its production facilities for the clean production of tin and precious metals (including gold, silver and palladium) (the "**Project**"). The Project is subject to approvals by multiple governmental authorities. A consultation draft of the environmental impact report for the Project (the "**Consultation Draft**") has been made available for public inspection by the local government and no opposition has been received during the public inspection period. Following the completion of the public inspection period, the total pollutant emission levels calculated based on Consultation Draft and the emission standards adopted in Consultation Draft have been submitted to the relevant government authorities for review and approval. In parallel with the aforesaid environmental impact assessment process, Jiangxi Longtianyong has begun constructing some of the production facilities for the Project. It is expected that, following the approval of Consultation Draft and completion of such construction works, Jiangxi Longtianyong will carry out installation and testing of relevant equipment as well as trial run of the production facilities to ensure that they operate smoothly and are consistent with the emission levels and emission standards as approved by the relevant governmental authorities. Following such efforts, Jiangxi Longtianyong will apply for completion acceptance of the Project, after which the production facilities for the Project will be formally put into operation. The directors of the Company currently expect to fully resume such production activities in the second quarter of 2022 and generate positive operating cash flow to the Group. Further details of the suspension of production and subsequent developments are set out in the Company's announcements dated 7 June 2021, 25 August 2021 and 22 February 2022. In the meantime, the Group has reduced and minimised the operating cash outflows by actively mitigating the work flows of the staff;

(b) The Group has maintained long business relationship with its principal bankers, for borrowings which will be maturing before 31 December 2022, the Group is actively negotiating with the banks before they fall due to secure their renewals so as to ensure that the necessary funds to meet the Group's working capital and financial requirements in the future will continue to be met. The directors of the Company do not expect to experience significant difficulties in renewing most of these bank borrowings upon their maturities and there is no indication that these bank lenders will not renew the existing bank borrowings upon the Group's request. The directors of the Company have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturity. Up to the date of this announcement, the Group has negotiated with the respective lenders to renew and extend existing borrowings upon their maturities, with bill payables of RMB40,000,000 and bank borrowing of RMB10,000,000 due in February 2022 being extended to February 2023 and bank borrowings of RMB69,340,000 out of RMB70,000,000 due in March 2022 being extended to March 2023;

(c) On 23 February 2022, the Company entered into subscription agreements with three subscribers, pursuant to which the subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 325,680,117 subscription shares at the subscription price of HK$0.59 per subscription share. The estimated net proceeds received from the subscriptions are expected to be approximately HK$191,151,000, equivalent to approximately RMB155,108,000. The subscriptions were completed on 7 April 2022; and

(d) The Group has been actively exploring to obtain further financial resources, including obtaining additional banking facilities and/or obtaining financial support from its subsidiary, CSMall Cayman, when necessary and subject to compliance with all applicable laws, regulations and rules.

Taking into account of effectiveness and feasibility of the above measures and after assessing the Group's cash flow projections covering a period of twelve months from the end of the reporting period prepared by the management reflecting the current and future cash flow positions, the directors of the Company are satisfied that the Group will be able to meet its financial obligations when they fall due within the forecast period. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group fail to realise its plan to improve its financial position, adjustments would have to be made to write down the carrying amounts of assets to their estimated recoverable amounts, to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively, and to provide for any further liabilities which may arise. The effects of these adjustments have not been reflected in the consolidated financial statements.

4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision makers ("**CODMs**") (i.e. the executive directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

(i) manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC ("**Manufacturing segment**");

(ii) designing and sales of gold, silver, coloured gemstones, gem-set and other jewellery products in the PRC ("**New Jewellery Retail segment**"); and

(iii) providing professional electronic platform, related services for trading of silver ingots ("**Silver Exchange segment**").

The Group's operating segments also represent its reportable segments.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 December 2021

	Manufacturing segment *RMB'000*	New Jewellery Retail segment *RMB'000*	Silver Exchange segment *RMB'000*	Segment total *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue						
External sales	1,891,945	364,022	47,556	2,303,523	–	2,303,523
Inter-segment sales*	92,522	165	–	92,687	(92,687)	–
Total segment revenue	1,984,467	364,187	47,556	2,396,210	(92,687)	2,303,523
Results						
Segment results	(2,420,889)#	9,829	30,996	(2,380,064)	–	(2,380,064)
Non-segment items						
Unallocated income, expenses, gains and losses						(19,514)
Unallocated finance costs						(13,819)
Loss before tax						(2,413,397)

* *Inter-segment sales are carried out on terms agreed between counterparties.*

\# *Included the write-off of inventories of RMB2,408,511,000.*

For the year ended 31 December 2020

	Manufacturing segment *RMB'000*	New Jewellery Retail segment *RMB'000*	Silver Exchange segment *RMB'000*	Segment total *RMB'000*	Elimination *RMB'000*	Consolidated *RMB'000*
Revenue						
External sales	4,325,813	347,768	85,749	4,759,330	–	4,759,330
Inter-segment sales*	258,823	–	–	258,823	(258,823)	–
Total segment revenue	4,584,636	347,768	85,749	5,018,153	(258,823)	4,759,330
Results						
Segment results	239,515	9,565	70,350	319,430	–	319,430
Non-segment items						
Unallocated income, expenses, gains and losses						(29,300)
Net loss on termination of assignment contract in relation to acquisition of a land use right						(27,441)
Unallocated finance costs						(9,486)
Profit before tax						253,203

* *Inter-segment sales are carried out on terms agreed between counterparties.*

Segment results represent profit earned (loss incurred) by each segment, without allocation of central administrative expenses, certain other income, certain other gains and losses, certain impairment loss, net of reversal, certain other expenses, net loss on termination of assignment contract in relation to acquisition of a land use right and certain finance costs. This is the measure reported to the Company's executive directors for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

An analysis of the Group's assets and liabilities by operating and reportable segment is as follows:

At 31 December 2021

	Manufacturing segment *RMB'000*	**New Jewellery segment** *RMB'000*	**Silver Exchange segment** *RMB'000*	**Total** *RMB'000*
ASSETS				
Segment assets	**264,880**	**1,377,183**	**216,958**	**1,859,021**
Unallocated corporate assets				**2,456**
Total assets				**1,861,477**
LIABILITIES				
Segment liabilities	**361,992**	**123,035**	**125,080**	**610,107**
Unallocated corporate liabilities				**18,063**
Total liabilities				**628,170**

At 31 December 2020

	Manufacturing segment *RMB'000*	New Jewellery segment *RMB'000*	Silver Exchange segment *RMB'000*	Total *RMB'000*
ASSETS				
Segment assets	2,777,025	1,531,925	201,591	4,510,541
Unallocated corporate assets				5,267
Total assets				4,515,808
LIABILITIES				
Segment liabilities	543,700	191,220	116,136	851,056
Unallocated corporate liabilities				18,024
Total liabilities				869,080

(c) Other segment information

For the year ended 31 December 2021

	Manufacturing segment *RMB'000*	**New Jewellery segment** *RMB'000*	**Silver Exchange segment** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Amortisation of intangible assets	**(362)**	**–**	**(10,268)**	**–**	**(10,630)**
Depreciation of property, plant and equipment	**(13,271)**	**(5,204)**	**(366)**	**(1)**	**(18,842)**
Depreciation of right-of-use assets	**(435)**	**(5,181)**	**(3)**	**(854)**	**(6,473)**
Fair value loss on investment in equity instrument at FVTOCI	**–**	**–**	**(30)**	**–**	**(30)**
Reversal of impairment loss under expected credit loss model, net	**275**	**8,729**	**–**	**–**	**9,004**
Loss on write-off and disposal of property, plant and equipment	**(10,597)**	**(1,397)**	**–**	**–**	**(11,994)**
Write-off of inventories	**(2,408,511)**	**–**	**–**	**–**	**(2,408,511)**

For the year ended 31 December 2020

	Manufacturing segment *RMB'000*	New Jewellery segment *RMB'000*	Silver Exchange segment *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Amortisation of intangible assets	(362)	(281)	(8,811)	–	(9,454)
Depreciation of property, plant and equipment	(13,545)	(3,875)	(404)	(77)	(17,901)
Depreciation of right-of-use assets	(435)	(7,611)	(3)	(1,066)	(9,115)
Fair value loss on investment in equity instrument at FVTOCI	–	–	(1,556)	–	(1,556)
Provision for impairment loss under expected credit loss model, net	220	(11,147)	462	–	(10,465)
Loss on write-off and disposal of property, plant and equipment	–	–	–	–	–
Write-off of inventories	–	–	–	–	–

(d) Geographical information

The Group's operations are located in the PRC. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**2,303,523**	4,759,330	**262,970**	291,944
Hong Kong	**–**	–	**1,099**	1,290
	2,303,523	4,759,330	**264,069**	293,234

Note: Non-current assets excluded financial instruments and deferred tax assets.

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the Group's total revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Customer A#	**338,513**	1,368,847
Customer B#	**318,881**	N/A*
Customer C#	**448,321**	572,712
Customer D#	**N/A***	495,962

Revenue from sales of palladium in Manufacturing segment.

* *The corresponding revenue did not contribute over 10% of the total revenue of the Group during the relevant financial year.*

5. REVENUE

Disaggregation of revenue from contracts with customers

Segments **By types of goods and services**	**2021** ***RMB'000***	2020 *RMB'000*
Manufacturing segment		
– Sales of silver ingots	**308,327**	286,907
– Sales of palladium	**1,448,111**	3,636,368
– Sales of lead ingots	**56,624**	146,992
– Sales of zinc oxide	**–**	1,990
– Sales of other metal by-products	**78,883**	253,556
	1,891,945	4,325,813
New Jewellery Retail segment		
– Sales of gold products	**149,893**	78,708
– Sales of silver products	**211,166**	265,946
– Sales of colored gemstones	**1,926**	–
– Sales of gem-set and other jewellery products	**1,037**	3,114
	364,022	347,768
Silver Exchange segment		
– Commission income	**47,556**	85,749
Total	**2,303,523**	4,759,330
By geographical market		
The PRC	**2,303,523**	4,759,330

All of the revenue are recognised at a point in time during the years ended 31 December 2021 and 2020.

6. OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	*RMB'000*
Net exchange gain	**856**	3,041
Loss on write-off and disposal of property, plant and equipment *(Note i)*	**(11,994)**	–
COVID-19 diagnostic kit trading income *(Note ii)*	**–**	2,667
COVID-19 diagnostic kit trading expenses *(Note ii)*	**–**	(3,638)
One-off write-off of COVID-19 diagnostic kits *(Note ii)*	**–**	(12,539)
Gain on disposal of a subsidiary *(Note iii)*	**–**	755
	(11,138)	(9,714)

Notes:

i. The amount included the loss on write-off and disposal of property, plant and equipment of RMB10,597,000 during the year ended 31 December 2021, resulting from the Group's demolition of non-compliant facilities of Jiangxi Longtianyong in accordance with the competent governmental authorities' requirements amounting to RMB7,634,000, and the Group's enhancement of production processes and replacement of dilapidated equipment amounting to RMB2,963,000.

ii. During the year ended 31 December 2020, the Group had commenced a pilot expansion into a new business of COVID-19 diagnostic kit distribution in collaboration with a pharmaceutical company in the PRC. The Group had entered into a sale and purchase agreement with the pharmaceutical company to purchase COVID-19 diagnostic kits in the PRC and export to overseas. However, due to various factors including the turbulent international situation, the export of the diagnostic kit was blocked and the products were scrapped upon expiry. The Group recognised trading income of RMB2,667,000, trading expenses of RMB3,638,000 and one-off write-off of inventories of RMB12,539,000 during the year ended 31 December 2020. The Group ceased the expansion plan to the new business of COVID-19 diagnostic kit distribution.

iii. The amount represented gain on disposal of an indirect non wholly-owned subsidiary, Shenzhen Yunpeng Software Development Company Limited（深圳雲鵬軟件開發有限公司）("**Shenzhen Yunpeng**") previously held by the Group. Shenzhen Yunpeng was disposed of on 28 December 2020 at a cash consideration of RMB3,100,000 and did not have significant contribution to the results and cash flows of the Group during the year ended 31 December 2020 nor did it have significant assets and liabilities as at the date of disposal.

7. INCOME TAX CREDIT (EXPENSE)

	2021	2020
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")		
– current year	**(8,349)**	(64,700)
– overprovision in respect of prior years	**7,238**	5,744
	(1,111)	(58,956)
Deferred taxation – current year	**1,117**	11,536
	6	(47,420)

The Group had no assessable profits subject to tax in any jurisdictions other than the PRC for both years.

Under the Law of the PRC on EIT (the "**EIT Law**") and its related implementation regulations, the Group's PRC subsidiaries are subject to the PRC EIT at the statutory rate of 25% for both years except for the following two of the major subsidiaries of the Group. Jiangxi Longtianyong was recognised as a High and New Technology Enterprise by the PRC tax authorities such that it is entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2019 to 2021 (2020: 2019 to 2021) and was subject to review once every three years. Shanghai Huatong Silver Exchange Company Limited (上海華通鉑銀交易市場有限公司)("**Shanghai Huatong**") has been recognised as a High and New Technology Enterprise during the year, such that it is entitled to a concessionary tax rate of 15% for three consecutive years beginning from the year of 2020 to 2022 and was subject to review once every three years. Shenzhen Yunpeng, a former subsidiary of the Group, was disposed of on 28 December 2020 and it was recognised as a Software Enterprise by the PRC tax authorities and it was entitled to an exemption of PRC EIT for the first two consecutive years beginning from 2016 and a 50% reduction for the following three consecutive years. For the year ended 31 December 2020, Shenzhen Yunpeng, the former subsidiary, was subject to PRC EIT at the rate of 12.5%.

8. (LOSS) PROFIT FOR THE YEAR

	2021	2020
	RMB'000	*RMB'000*
(Loss) profit for the year has been arrived at after charging:		
Directors' emoluments	**4,581**	4,711
Other staff costs:		
– salaries and other allowances	**31,129**	38,958
– retirement benefit scheme contributions	**8,045**	11,495
Total staff costs	**43,755**	55,164
Auditor's remuneration	**2,223**	2,234
Amortisation of intangible assets	**10,630**	9,454
Depreciation of property, plant and equipment	**18,842**	17,901
Depreciation of right-of-use assets	**6,473**	9,115
Cost of inventories recognised as expenses (included in cost of sales and services provided)	**2,135,467**	4,322,630
Write-off of inventories	**2,408,511**	–
Expenses on short-term leases in respect of office premises and retail shops	**5,125**	4,474
Pollutant handling fees (included in other expenses)	**1,454**	3,302

9. DIVIDENDS

No dividends were paid, declared or proposed for ordinary shareholders of the Company for both years, nor has any dividend been proposed since the end of the reporting period.

10. (LOSS) EARNINGS PER SHARE

The calculations of the basic and diluted (loss) earnings per share attributable to owners of the Company are based on the following data:

	2021	2020
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share *(RMB'000)*	**(2,412,925)**	227,502
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share *(in thousand)*	**1,628,401**	1,627,802
Effects of dilutive potential ordinary shares:		
– Share options of the Company *(in thousand)*	**–**	225
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share *(in thousand)*	**1,628,401**	1,628,027

For the year ended 31 December 2021, the computation of diluted loss per share does not assume the exercise of the Company's outstanding options because the effect of exercise of these options was anti-dilutive.

11. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Raw materials *(Note)*	**524,867**	1,802,955
Work in progress	**–**	89,920
Finished goods	**529,287**	684,708
	1,054,154	2,577,583

Note: As at 31 December 2021, the carrying amounts of raw materials aged less than 1 year and over 1 year are RMB524,626,000 (2020: RMB1,011,481,000) and RMB241,000 (2020: RMB791,474,000), respectively.

During the year, certain of Jiangxi Longtianyong's inventory of raw materials with an amount of RMB2,408,511,000 which was previously being refined for production purposes was deemed to be hazardous waste pursuant to the two administrative penalty notices and a rectification notices (collectively, the "**Notices**") issued by the Ji'an City Yongfeng Ecology and Environment Bureau（吉安市永豐生態環境局）(the "**Yongfeng Ecology and Environment Bureau**") and ordered to be disposed of. As a result, there was a write-off of inventories of RMB2,408,511,000, penalties imposed from the Notices of RMB1,454,000 and costs incurred for disposal of the relevant inventories being written off of RMB3,164,000, all of these have been recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2021. Details of which are set out in the Company's announcement dated 7 June 2021.

As at 31 December 2020, the Group has pledged inventories with a carrying value of RMB270,859,000 to secure general banking facilities granted to the Group and all such inventories were released from the pledge during the year ended 31 December 2021. In the opinion of directors of the Company, no inventory was pledged as at 31 December 2021.

12. TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables for contracts with customers *(Note i)*	**35,524**	115,710
Less: allowance for credit losses	**(12,018)**	(21,022)
	23,506	94,688
Other receivables, deposits and prepayments	**17,187**	17,521
Prepayments to suppliers *(Note ii)*	**3,802**	76,763
Amount due from a former subsidiary, Shenzhen Yunpeng	**–**	19,499
Value-added tax ("**VAT**") recoverable	**24,540**	28,587
VAT rebate receivable *(Notes i and iii)*	**–**	41,822
Other receivable arising from termination of assignment contract of a land use right from the PRC government *(Note iv)*	**–**	25,275
	69,035	304,155

Notes:

i. During the year ended 31 December 2020, the Group pledged trade receivables with a carrying value of RMB75,000,000 and VAT rebate receivable with a carrying value of RMB41,822,000 to secure banking facilities of the Group. Such trade receivable and VAT rebate receivable were released from the pledge during the year ended 31 December 2021.

ii. The balance represents prepayments for purchase of inventories under the Group's Manufacturing and New Jewellery Retail segments.

iii. Pursuant to the Notice on Issuing the Value-added Tax Preferential Catalogue on Products and Services Applying Integrated Use of Resources by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2015] No. 78), Jiangxi Longtianyong, a subsidiary of the Group, utilises recycled materials in the course of production and is therefore subject to a preferential policy of an immediate VAT refund of 30%.

iv. In September 2018, Huzhou Baiyin Property Co., Ltd.（湖州白銀置業有限公司）("**Huzhou Baiyin**"), an indirect non wholly-owned subsidiary of the Group entered into an assignment contract (the "**Contract**") with Huzhou South Taihu New District Management Committee (the "**Huzhou Committee**") and Huzhou Municipal Bureau of Natural Resources and Planning (the "**Bureau**") in relation to the acquisition of the land use right over a piece of land located in Huzhou, the PRC (the "**Acquisition**"). The total consideration for the land use right was RMB285,000,000.

On 29 and 30 June 2020, Huzhou Baiyin entered into a termination agreement with the Huzhou Committee and the Bureau, and a compensation agreement with the Huzhou Committee, pursuant to which the Huzhou Committee and the Bureau agreed to terminate the Contract and the Huzhou Committee agreed to refund the deposits received amounting to RMB270,875,000 (the "**Compensation Sum**") and compensate for (i) the capital expenditure and other expenses incurred by the Group in connection with the exploration, design and pre-construction works on the land; and (ii) certain taxes paid by another indirect non wholly-owned subsidiary of the Group.

As at 31 December 2020, the Group paid an aggregate amount of RMB232,500,000 of deposits and other direct costs of RMB26,713,000 in relation to the Acquisition. An amount of RMB245,600,000 arising from the Compensation Sum was received by the Group during the year ended 31 December 2020 and the remaining RMB25,275,000 of the Compensation Sum was recorded and included in other receivables at 31 December 2020, which has been fully received during the year ended 31 December 2021. As at 31 December 2020, however, certain pre-construction costs had been incurred before the termination of the Acquisition remained payables to the Group and provision had been made of RMB39,103,000 as set out in Note 14. As a result of the termination of the Contract, there was a net loss of RMB27,441,000 recognised in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2020.

During the year ended 31 December 2021, no further provision for termination of assignment contracts has been made. Settlement of RMB30,881,000 has been repaid in relation to the remaining payables, amounted to RMB39,103,000.

Before accepting any new customer, other than those settling by cash or credit card, the Group assesses the potential customer's credit quality and defines its credit limits based on reputation of the customer in the industry. The Group generally grants its customers a credit period ranging from 0 to 90 days and requires advance deposits from its customers before delivery of goods.

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB364,468,000, net of allowance for credit losses of RMB10,557,000.

The ageing analysis of the Group's trade receivables net of allowance for credit losses presented based on the invoice dates at the end of the reporting period is as follows:

	2021	2020
	RMB'000	*RMB'000*
0 – 30 days	**18,532**	41,788
31 – 60 days	**1,981**	42,972
61 – 90 days	**1,061**	1,789
Over 90 days	**1,932**	8,139
	23,506	94,688

As at 31 December 2021, included in the Group's trade receivables, net of allowance of credit losses, were debtors with an aggregate carrying amount of RMB12,436,000 (2020: RMB47,129,000) which were past due as at the reporting date. Out of the past due balances, RMB1,367,000 (2020: RMB8,104,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history, the financial conditions and the current credit worthiness of each customer. The Group does not hold any collateral over these balances.

13. REVERSAL OF (PROVISION FOR) IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET

	2021	2020
	RMB'000	*RMB'000*
Reversal of (provision for) impairment loss recognised in respect of trade receivables, net	**9,004**	(10,465)

14. TRADE, BILLS AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**32,231**	131,043
Other payables and accrued expenses *(Note i)*	**72,037**	59,305
Bills payables *(Note ii)*	**80,000**	94,000
Deposits received for using the silver exchange platform	**100,415**	76,370
Amount due to Huatong International *(Note iii)*	**19,278**	19,373
VAT and other tax payables	**10,540**	95,899
Provision for restoration cost for environment in Jiangxi Longtianyong	**12,626**	12,626
Customer receipts in advance	**–**	1,864
Provision for termination of assignment contracts *(Note iv below and Note 12(iv))*	**8,222**	39,103
	335,349	529,583

Notes:

i. Included in the other payables are payables for office leasehold improvement amounting to RMB14,767,000 (2020: nil), interest payables amounting to RMB354,000 (2020: RMB363,000) and amounts due to third parties amounting to RMB8,250,000 (2020: RMB8,250,000).

ii. As at 31 December 2021, bills payables amounting to RMB40,000,000 (2020: RMB47,000,000) are secured by pledged bank deposits of RMB40,000,000 (2020: RMB47,000,000). The remaining bills payables amounting to RMB40,000,000 (2020: RMB47,000,000) are secured by machinery with a carrying value of RMB6,466,000 (2020: RMB15,934,000). All bills payables are issued to a supplier of the Manufacturing segment which have been repaid in February 2022 (2020: February 2021). In addition, for the bill payables as at 31 December 2021 were secured by personal guarantees executed by Mr. Chen Wantian (a director of the Company). Subsequent to the year ended 31 December 2021, the bills payables are fully settled by the Group and the pledged bank deposits and the pledge of machinery are released.

iii. Huatong International is a company which the Group held 18% equity interest and accounted for as equity investment at FVTOCI. The amount was non-trade in nature, unsecured, interest-free and repayable on demand.

iv. As at 31 December 2020, the balance included an amount of RMB20,650,000 payable to Zhejiang Jifeng Geotechnical Technology Co., Ltd.（浙江績豐岩土技術有限公司）(“**Zhejiang Jifeng Geotechnical**”) which represented pre-construction costs incurred in relation to the land use right as detailed in Note 12(iv). During the year ended 31 December 2021, total pre-construction costs incurred to Zhejiang Jifeng Geotechnical amounted to nil (2020: RMB37,514,000) and the balance due to Zhejiang Jiefeng Geotechnical amounted to RMB20,650,000 was fully repaid. Mr. Chen Wantian, a director of the Company, is also a director (out of the six directors as at 31 December 2021 (2020: twelve directors)) of Zhejiang Jifeng Geotechnical and holds 5.44% equity interest therein.

The ageing analysis of the Group's trade payables based on the invoice dates at the end of the reporting period is as follows:

	2021	2020
	RMB'000	*RMB'000*
0 – 30 days	**10,242**	103,517
31 – 60 days	**–**	9,896
61 – 90 days	**917**	347
Over 90 days	**21,072**	17,283
	32,231	131,043

The credit period of purchase of goods and subcontracting costs on processing silver products generally ranges from 1 to 90 days.

15. TRADE LOANS

	2021	2020
	RMB'000	*RMB'000*
Trade loans	**–**	10,000

On 11 December 2019, 深圳國銀通寶有限公司 ("**Shenzhen Guoyintongbao**"), a subsidiary of the Group, entered into a reverse factoring agreement with a bank in the PRC, pursuant to which the bank agreed to grant revolving trade loans credit limit of not more than RMB20,000,000 to Shenzhen Guoyintongbao in respect of the Group's payment obligations under the contracts to certain suppliers. Under the reverse factoring arrangement, the bank in the PRC would settle the suppliers at a date earlier than Shenzhen Guoyintongbao settle with the bank, and Shenzhen Guoyintongbao would have a longer credit period.

The trade loans as at 31 December 2020 carried interest at a fixed rate of 5.66% per annum, which was also the effective interest rate during the year ended 31 December 2020. The amounts were due for repayment within one year from the end of 31 December 2020 and have been repaid during the year ended 31 December 2021.

In addition, the trade loans were secured by (i) personal guarantees executed by Mr. Chen Wantian (a director of the Company) and Mr. Chen He (a director of the CSMall Cayman) and their respective spouses; and (ii) a corporate guarantee executed by the Group which had been released during the year ended 31 December 2021.

16. BANK BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Secured bank borrowing carrying interest at fixed rate, repayable within one year and without a repayment on demand clause	**230,000**	202,000
Secured bank borrowing carrying interest at floating rate, repayable within one year and without a repayment on demand clause	**–**	3,000
	230,000	205,000

The effective interest rate of the Group's bank borrowings (which is also equal to contracted interest rate) during the year is as follows:

	2021	2020
Effective interest rate per annum	**5.31%**	5.80%

The bank borrowings were secured by leasehold land, building and machinery with aggregate carrying amount of RMB16,326,000, RMB60,949,000 and RMB6,466,000 (2020: building, machinery, inventories, trade receivables, VAT rebate receivable and pledged bank deposits, with aggregate carrying amount of RMB66,506,000, RMB15,934,000, RMB270,859,000, RMB75,000,000, RMB41,822,000 and RMB8,000).

The total banking facility granted to the Group amounted to RMB230,000,000 (2020: RMB215,000,000) of which RMB230,000,000 (2020: RMB205,000,000) were utilised.

Included in the balances, Jiangxi Longtianyong has an amount of RMB210,000,000 (2020: RMB25,500,000) with personal guarantees given by Mr. Chen Wantian, a director of the Company and his spouse.

MANAGEMENT DISCUSSION AND ANALYSIS

Despite the unstable global economy and the downturn of the Chinese economy due to multiple factors, the Group still strives to maintain business stability and seek breakthroughs in the existing market.

For the year ended 31 December 2021, as a leading fully-integrated silver and precious metals enterprise in the PRC, the Group had three business segments, including (i) Manufacturing segment, i.e. manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC; (ii) New Jewellery Retail segment operated under our subsidiary, CSMall Group Limited (Stock code: 1815) ("**CSMall Group**"), i.e. designing and online and offline integrated sales of gold, silver, coloured gemstones, gem-set and other jewellery products in the PRC; and (iii) Silver Exchange segment, i.e. providing professional electronic platform and related services for trading of silver ingots in the PRC.

For the year ended 31 December 2021, the Group's Manufacturing segment generated sales of approximately RMB1,891.9 million (2020: RMB4,325.8 million), a significant decrease of approximately 56.3% over the last year, and recorded a segment loss of approximately RMB2,420.9 million (2020: segment profit of approximately RMB239.5 million). The segment loss for the year was mainly because between 23 April 2021 and 20 May 2021, the Yongfeng Ecology and Environment Bureau issued the Notices to Jiangxi Longtianyong, a major subsidiary under the Manufacturing segment of the Group. According to the Notices, between 22 April 2021 and 8 May 2021, the Central Ecological and Environmental Protection Inspection Group（中央生態環境保護督察組）and the Yongfeng Ecology and Environment Bureau inspected Jiangxi Longtianyong's premises and found that the production and storage facilities of Jiangxi Longtianyong had been in contravention of certain national environmental laws. As a result of the contraventions, the Yongfeng Ecology and Environment Bureau has ordered Jiangxi Longtianyong to suspend its production activities from 26 April 2021 onwards pending completion of certain rectification measures. These rectification measures included (i) the disposal of certain hazardous waste stored in production workshops and warehouses; and (ii) the demolition of non-compliant facilities and construction of compliant facilities. Therefore, the Manufacturing segment recorded a one-off write-off of inventories of approximately RMB2,408.5 million and loss on write-off and disposal of property, plant and equipment of approximately RMB10.6 million, which, together with a decrease in sales due to the suspension of production, resulted in a loss recorded by the Manufacturing segment in the current year.

Jiangxi Longtianyong has been closely communicating with the Yongfeng Ecology and Environment Bureau since the end of April 2021 with a view to reach an understanding on the rectification measures required to be implemented in order to restore Jiangxi Longtianyong's production as soon as possible. In addition, Jiangxi Longtianyong has engaged an environmental specialist to provide recommendations on the appropriate rectification measures to address the Yongfeng Ecology and Environment Bureau's concerns.

On 24 August 2021, the local environmental protection authority notified Jiangxi Longtianyong that, following the adoption of rectification measures by Jiangxi Longtianyong, such as the demolition of non-compliant facilities and construction of compliant facilities, the relevant authorities have approved in principle the resumption of production of Jiangxi Longtianyong's silver electrolysis production line (the "**Resumption of Production Notice**"). Pursuant to the Resumption of Production Notice, after conducting environmental compliance assessment on the silver workshop, the relevant authorities were of the view that the pollution prevention and control measures of Jiangxi Longtianyong after rectification were in compliance with the relevant environmental requirements. The Resumption of Production Notice also requires Jiangxi Longtianyong to further enhance its pollution prevention and control facilities and strictly implement its environmental protection management system, with a view to ensure that the discharge of pollutants consistently meet the required targets.

As part of Jiangxi Longtianyong's efforts to fully resume production activities, Jiangxi Longtianyong has been working to upgrade and enhance its production facilities for the clean production of tin and precious metals (including gold, silver and palladium) (the "**Project**"). The Project is subject to approvals by multiple governmental authorities. A consultation draft of the environmental impact report for the Project (the "**Report**") has been made available for public inspection by the local government of Yongfeng County and no opposition has been received during the public inspection period. Following the completion of the public inspection period, the total pollutant emission levels calculated based on the Report and the emission standards adopted in the Report have been submitted to the relevant government authorities of Ji'an City and Jiangxi Province for review and approval. It is expected that if such authorities approve the emission levels and emission standards as stated in the Report, the Report will be further submitted to the Department of Ecology and Environment of Jiangxi Province for review, expert assessment and pre-approval public inspection. The Report may be subject to further revisions before it is formally approved by the relevant government authorities.

In parallel with the aforesaid environmental impact assessment process, Jiangxi Longtianyong has begun constructing some of the production facilities for the Project. It is expected that, following the approval of the Report and completion of such construction works, Jiangxi Longtianyong will carry out installation and testing of relevant equipment as well as trial run of the production facilities to ensure that they operate smoothly and are consistent with the emission levels and emission standards as approved by the relevant governmental authorities. Following such efforts, Jiangxi Longtianyong will apply for completion acceptance of the Project, after which the production facilities for the Project will be formally put into operation. The Company currently targets to fully resume production activities at Jiangxi Longtianyong in the second quarter of 2022.

Further details of the suspension of production and subsequent developments are set out in the announcements published on 7 June 2021, 25 August 2021 and 22 February 2022.

Since 2014, we have diversified from the traditional Manufacturing segment to the downstream New Jewellery Retail segment which is now operated under CSMall Group. Apart from leveraging our strength and resources in the upstream business, CSMall Group has optimized its sales and marketing strategies since 2018 and gradually shifted its focus to high-margin silver jewellery products. For the year ended 31 December 2021, external sales of New Jewellery Retail segment operated by CSMall Group amounted to approximately RMB364.0 million, representing approximately 15.8% of the Group's total revenue (2020: 7.3%), and the segment profit was approximately RMB9.8 million (2020: RMB9.6 million), representing a slight increase of approximately 2.8% over the last year, mainly due to the combined effect of (i) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB8.7 million during the year (2020: net provision for impairment loss recognised in respect of trade receivables of approximately RMB11.1 million); and (ii) the decrease of administrative expenses by approximately 24.9% as compared to that for 2020 resulting from the suspension of the self-operated online platform and the decrease of staff costs during the year, as largely offset by the increase in cost of sales from the sales of gold products with relatively lower gross profit margin during the year. It should be noted that although during the year ended 31 December 2020, the one-off net loss on termination of assignment contract in relation to acquisition of a land use right (for details, please refer to the section headed "Net loss on termination of assignment contract in relation to acquisition of a land use right" below) was recorded under the CSMall Group, the net loss was regarded as a non-segment item and had no impact on the segment profit of the New Jewellery Retail segment for the year ended 31 December 2020. As the novel coronavirus ("**COVID-19**") in the PRC entered a period of normalised prevention and control in the current year and the large-scale vaccination was also underway, the impact of the COVID-19 would gradually fade, and the CSMall Group also implemented a number of measures to deal with the crisis, including slowing down the plan on expansion of offline stores, adjusting the strategy of offline business outlets, reducing staff and improving efficiency, etc., resulting in a steady development of the New Jewellery Retail segment of the Group.

In 2016, the Group further expanded the downstream business by acquiring Shanghai Huatong, an operator of an integrated silver exchange platform in the PRC. For the year ended 31 December 2021, the Silver Exchange segment operated by Shanghai Huatong recorded a segment profit of approximately RMB31.0 million (2020: RMB70.4 million), representing a decrease of approximately 55.9% over the last year, mainly because the international silver price was relatively stable in the current year, which reduced investors' willingness to trade, resulting in a decrease in trading volume.

The Group recorded gross profit of approximately RMB138.9 million (2020: RMB433.2 million) for the year ended 31 December 2021, representing a significant decrease of approximately 67.9% as compared to that for 2020, mainly due to a significant decrease in gross profit of the Manufacturing segment due to the suspension of production. The overall gross profit margin of the Group decreased from approximately 9.1% for the year ended 31 December 2020 to approximately 6.0% for the year ended 31 December 2021, mainly because the Manufacturing segment concentrated on the silver trading business with lower gross profit margin after the suspension of production, resulting in a decrease in gross profit margin of the Manufacturing segment, and the sales of gold products with relatively lower gross profit margin increased in the New Jewellery Retail segment operated by the CSMall Group during the year.

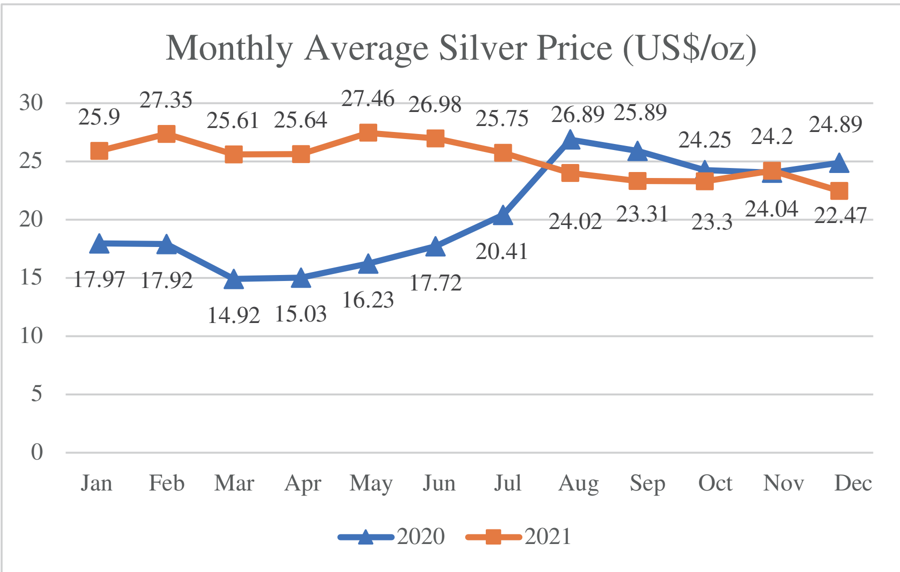
For the year ended 31 December 2021, the Group recorded loss attributable to owners of the Company of approximately RMB2,412.9 million (2020: profit of approximately RMB227.5 million). Such turnaround from profit to loss is mainly attributable to the combined effects of (i) the one-off write-off of inventories of approximately RMB2,408.5 million recorded by the Manufacturing segment; (ii) the loss on write-off and disposal of property, plant and equipment of approximately RMB10.6 million recorded by the Manufacturing segment; (iii) a substantial decrease in segment revenue and gross profit of the Manufacturing segment due to the suspension of production; and (iv) less sales recorded by the Silver Exchange segment in the current year due to stable prices in the international silver market; far more than offsetting (i) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB9.0 million (2020: net provision for impairment loss recognised in respect of trade receivables of approximately RMB10.5 million); (ii) the absence in this year of the net loss on termination of assignment contract in relation to acquisition of a land use right recorded in last year; and (iii) the absence in this year of the loss in relation to the pilot expansion into a new business of COVID-19 diagnostic kit distribution in collaboration with a pharmaceutical company in the PRC recorded in last year.

Manufacturing segment

As Jiangxi Longtianyong suspended its production activities since 26 April 2021, the output of the Manufacturing segment decreased significantly this year, and the Group's sales in the Manufacturing segment decreased by approximately 56.3% to approximately RMB1,891.9 million for the year ended 31 December 2021 (2020: RMB4,325.8 million). With regards to the suspension of production, the Group will continue to communicate closely with the competent government authorities to fully resume its production activities as soon as possible.

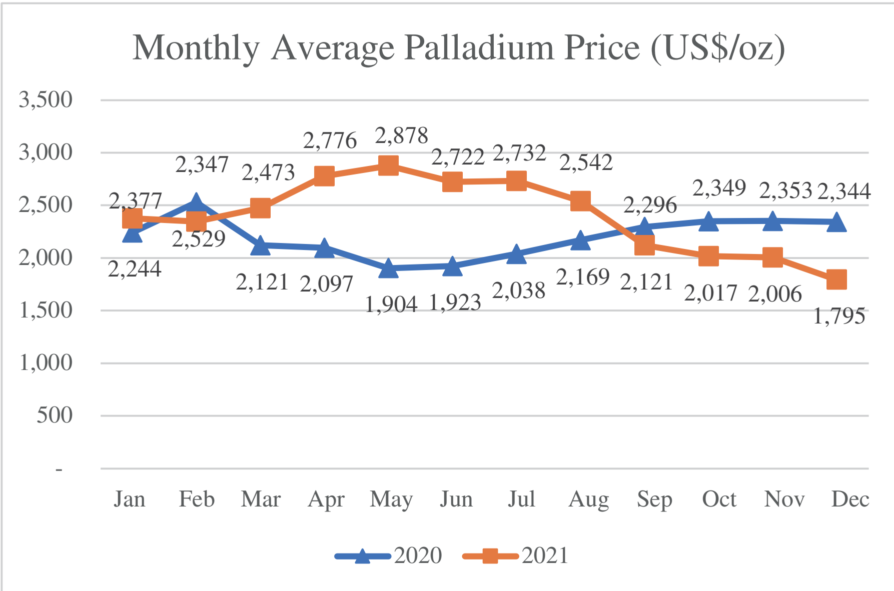
Sales of silver ingot increased from approximately RMB286.9 million for the year ended 31 December 2020 to approximately RMB308.3 million for the year ended 31 December 2021, representing an increase of approximately 7.5%, mainly due to the focus on silver trading business in the second half of the year and the increase in market price of silver.

The graph below shows the change in international silver price quoted on the London Bullion Market Association from January 2020 to December 2021:



Source: The London Bullion Market Association

Due to the decrease in palladium production this year, for the year ended 31 December 2021, we sold approximately 2.9 tons (2020: 7.8 tons) of palladium to customers, and palladium sales decreased significantly by approximately 60.2% from approximately RMB3,636.4 million for the year ended 31 December 2020 to approximately RMB1,448.1 million for the year ended 31 December 2021. Palladium is extracted from three major raw materials, including smelting slag (熔煉渣), smoke dust (煙塵灰) and sludge from wet smelting (濕法泥), purchased from our existing suppliers. The price of the raw materials is determined mainly based on the content of silver and palladium and their unit market price, and the production process is carried out twice or three times a month. Our customers for palladium are mainly trading companies and their end customers are usually large-scale enterprises. The graph below shows the change in international palladium price quoted on the London Bullion Market Association from January 2020 to December 2021:



Source: The London Bullion Market Association

New Jewellery Retail segment operated under CSMall Group (Stock code: 1815)

For the year ended 31 December 2021, the New Jewellery Retail segment recorded sales of approximately RMB364.0 million (2020: RMB347.8 million), representing an year-on-year increase of approximately 4.7%.

As the COVID-19 in the PRC has entered a period of normalised prevention and control in the current year and the large-scale vaccination is also underway, the impact of COVID-19 would gradually fade. In light of the significant impact of COVID-19 on jewellery retail consumption throughout the last year, the CSMall Group also implemented a number of measures to deal with the crisis in the current year, including slowing down the plan on expansion of offline stores, adjusting the strategy of offline business outlets, closing 86 stores, and carefully choosing sites for opening another 26 new stores. The CSMall Group also reduced its number of staff to increase efficiency and cut down its administrative expenses by approximately 24.9% in the current year; and greatly reduced operation and promotion through its self-operated online platform and instead relied on third-party online sales channels.

CSMall Group's business model incorporates four critical elements which complement each other, comprising (i) a comprehensive e-commerce platform, (ii) easily accessible offline retail and service network, (iii) data mining and utilisation capabilities, and (iv) innovative crossover sales and marketing initiatives.

Online Sales Channels

(i) Third-party online sales channels

For the year ended 31 December 2021, relying on the strong traffic of third-party platforms, the Group enhanced its online sales through new marketing models including short video marketing, e-commerce live streaming and KOL promotion. For the year ended 31 December 2021, we cooperated with third-party online platforms including JD.com (京東), Suning (蘇寧), Tmall (天貓), WeChat (微信), TikTok (抖音), Xiaohongshu (小紅書) and 15 television and video shopping channels in the PRC to promote and sell our jewellery products. We became a core supplier of gold, silver and jewellery category of all top television channels, which enabled us to achieve satisfactory sales performance. With a daily coverage of over 100 million home viewers in the PRC, our brand awareness among Chinese viewers of television and video shopping channels was enhanced substantially.

Short-video and KOL promotion had became a vital part of our brand marketing. Their content becomes the core of every aspect of our brand marketing, sales and operation. For the year ended 31 December 2021, the Group has cooperated with top anchors and celebrities including Li Jiaqi (李佳琪), Xue Li (雪梨), Wei Ya (薇婭), and Jin Xing (金星), to increase more brand exposure and sales.

(ii) Self-operated online platform

The accumulated number of registered members on our self-operated online jewellery platform, including www.csmall.com, m.csmall.com and the mobile app of "金貓銀貓CSmall", surpassed approximately 9.9 million. In view of the market climate and habits of consumers, the Group had suspended the operation of the self-operated online platform since this year, so as to reduce operating and promotion expenses and move on to focus on third-party online sales channels.

Offline Retail and Service Network

(i) CSmall Shops

We offer intimate on-the-ground sales and services to our customers at our CSmall Shops, including jewellery fitting and maintenance services, which we believe are indispensable to the jewellery shopping experience. For the year ended 31 December 2021, due to the impact of COVID-19 on offline retail sales, we slowed down our offline store expansion plan, adjusted the layout of offline business outlets, closed 86 stores and opened 26 new stores. As of 31 December 2021, we had 38 CSmall Shops located in 13 provinces and municipalities in the PRC, consisting of 1 self-operated CSmall Shop and 37 franchised CSmall Shops with presence in Beijing, Chongqing, Gansu, Heilongjiang, Henan, Hubei, Jiangsu, Shaanxi, Shanxi, Sichuan, Tibet, Xinjiang and Zhejiang.

(ii) Shenzhen Exhibition Hall

We sell products at the Shenzhen Exhibition Hall in Shuibei, Shenzhen, which is generally believed to be home to the PRC's largest and leading jewellery trading and wholesale market. The Shenzhen Exhibition Hall showcases the product designs of our self-owned brands and certain third-party brands, and also serves as an interactive exhibition and sales platform primarily for our wholesale customers as well as our franchisees.

(iii) Third-party offline points of sale

We distribute our jewellery products and provide product customisation service through various third-party offline points of sale, which are certain commercial banks we cooperated with.

Silver Exchange segment

Shanghai Huatong is the operator of an integrated silver exchange platform in the PRC which provides professional and standardized spot goods supply, trading, logistic and e-commerce services. Its official website, www.huatongsilver.com (formerly www.buyyin.com), has been one of the authoritative web portals for the silver industry in the PRC. The daily spot silver prices quoted by such website are the general reference prices for the silver industry in the PRC.

For the year ended 31 December 2021, the Silver Exchange segment recorded sales of approximately RMB47.6 million (2020: RMB85.7 million), representing a significant year-on-year decrease of approximately 44.5%, mainly because the silver price was relatively stable in the current year, which reduced investors' willingness to trade, resulting in a decrease in trading volume.

PROSPECTS

Since 2020, due to the continuous impact of COVID-19, the economy of all countries has slowed down to varying degrees. In order to revitalize the economy, countries including the PRC have adopted relatively loose monetary policies, resulting in a strong demand for safehaven assets including silver and gold products. Therefore, we still have full confidence in the manufacturing and sales of silver, gold products and other precious metals in the PRC. The Group will continue to focus on the production and sales of silver, palladium, gold and other precious metals as its main core businesses.

In addition, while pursuing business performance, the Group will emphasise business sustainability and strive to maintain higher standards of business practices in respect of environmental protection, especially against the backdrop of the strict enforcement of the Central Ecological and Environmental Protection Inspection Group, which indeed has greatly raised the industry's entry barriers in terms of environmental protection. As explained above, the Company currently targets to fully resume production activities at Jiangxi Longtianyong in the second quarter of 2022.

During the year, the offline store expansion plan of the New Jewellery Retail segment was also slowed down due to the uncertainty of the ongoing epidemic. Therefore, the Group's New Jewellery Retail segment placed its main resources and efforts on online sales and continued to leverage on the huge traffic of third-party platforms to fully enjoy the benefits brought by live streaming, gain more brand exposure and more contribution through the live streaming of jewellery. And it will continue to rely on social big data to realize the digital transformation of business marketing scenarios including consumer insight, market positioning and placement optimization. In the future, the Group's New Jewellery Retail segment will also regard ruby sales as a new growth driver for the Group's business. It is foreseeable that with consumers' love for jewellery and increasing awareness and popularity of rubies, the market demand will gradually increase and ruby will see a long-term and stable price increase.

The Group also explores and considers suitable business opportunities outside the jewellery industry from time to time to diversify its business risks. On 31 December 2021, the Group entered into an investment agreement through its subsidiary CSMall Group for investment in Jiangsu Nongmuren Electronic Business Corp.*（江蘇農牧人電子商務股份有限公司）(the "**Target Company**"). The Target Company is the developer and operator of the "農牧人" ("Nongmuren", meaning farmers and herdsmen) S2B2C platform, which was officially launched in May 2021 and which provides branding and SaaS (software as a service) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in the PRC. Small and medium-sized businesses are empowered through the S2B2C (supply chain to business to customer) model, whilst farms and farmers are empowered through the F2B2C (farm to business to customer) model, to achieve whole-process digitalization from agricultural laborers' cultivation of crops and rearing of livestock to citizens' consumption of agricultural products. Through the investment, CSMall Group expands its business operations from the new retail of jewellery, a non-essential good, to the new retail of agricultural products, an essential good, to assist in modernizing and empowering another traditional industry, namely the PRC agricultural industry. The agricultural products industry is different from the non-essential jewellery industry and can help diversify business risks, thereby enhancing the Group's risk resilience and profitability. Further details of the transaction are set out in the joint announcements dated 31 December 2021 and 10 January 2022.

Based on the above, the Group will proactively respond to the impact of unfavorable factors including COVID-19, economic slowdown and other emergencies, conduct its operations steadily and give full play to its advantages, so as to maintain sustained profitability. We believe that with the gradual easing of the epidemic, the Chinese and global economy will regain normal growth trends. The Group's Manufacturing segment has also seen the sign of resumption of production. In light of the multiple shocks caused by the high threshold for environmental protection policies of the central government, as well as the epidemic and the international environment, many inferior enterprises in the industry will have to withdraw from the industry as it is difficult for them to meet environmental requirements. This will lead to an equilibrium of production capacity in the industry. In the long run, this will be more conducive to the consolidation of the industry position and enhancement of market share of the Group's precious metal manufacturing business. We remain confident of the future development of the Group.

FINANCIAL REVIEW

Revenue

The revenue of the Group for the year ended 31 December 2021 was approximately RMB2,303.5 million (2020: RMB4,759.3 million), representing a significant decrease of approximately 51.6% from that of 2020.

	2021		2020	
	Revenue ***RMB'000***	**% of revenue**	Revenue *RMB'000*	% of revenue
Manufacturing segment				
Sales of silver ingot	**308,327**	**13.4%**	286,907	6.0%
Sales of palladium	**1,448,111**	**62.9%**	3,636,368	76.4%
Sales of other metal by-products	**135,507**	**5.9%**	402,538	8.5%
	1,891,945	**82.2%**	4,325,813	90.9%
New Jewellery Retail segment operated under CSMall Group				
Sales of gold, silver, coloured gemstones, gem-set and other jewellery products	**364,022**	**15.8%**	347,768	7.3%
Silver Exchange segment				
Commission income	**47,556**	**2.0%**	85,749	1.8%
Total	**2,303,523**	**100.0%**	4,759,330	100.0%

Manufacturing segment

Sales of silver ingot increased from approximately RMB286.9 million for the year ended 31 December 2020 to approximately RMB308.3 million for the year ended 31 December 2021, representing an increase of approximately 7.5% from that of 2020. The increase was mainly due to increase in sales volume of silver ingot from approximately 62 tonnes in 2020 to approximately 66 tonnes in 2021.

Due to the decrease in palladium output, the Group recorded palladium sales of approximately RMB1,448.1 million for the year ended 31 December 2021 (2020: RMB3,636.4 million), representing a significant decrease of approximately 60.2% over the last year. For the year ended 31 December 2021, the Group's sales of palladium to customers was approximately 2.9 tonnes (2020: 7.8 tonnes).

Other metal products such as lead ingot, zinc oxide, bismuth ingot and antimony ingot are produced during the production of silver ingot and palladium. Sales of other metal products decreased significantly to approximately RMB135.5 million for the year ended 31 December 2021 (2020: RMB402.5 million).

As Jiangxi Longtianyong has suspended its production activities since 26 April 2021 (please refer to the "Management Discussion and Analysis" for details), the sales of the Group's Manufacturing segment decreased significantly by approximately 56.3% from approximately RMB4,325.8 million for the year ended 31 December 2020 to approximately RMB1,891.9 million for the year ended 31 December 2021.

New Jewellery Retail segment operated under CSMall Group

For the year ended 31 December 2021, the New Jewellery Retail segment recorded sales of approximately RMB364.0 million (2020: RMB347.8 million), representing an increase of approximately 4.7% as compared to that of 2020, mainly because as the COVID-19 in the PRC entered a period of normalized prevention and control in the current year and the large-scale vaccination was also underway, the impact of the COVID-19 would gradually fade.

Silver Exchange segment

For the year ended 31 December 2021, the Silver Exchange segment recorded sales of approximately RMB47.6 million (2020: RMB85.7 million), representing a significant decrease of approximately 44.5% over the last year. The decrease was mainly because the international silver price was relatively stable in the current year, which reduced investors' willingness to trade, resulting in a decrease in trading volume.

Cost of sales and services provided

Manufacturing segment

Cost of sales mainly represents the cost of raw materials consumed, purchase cost of silver, direct labor and manufacturing overhead. Cost of raw materials consumed and purchase cost of silver accounted for over 90% of cost of sales. The purchase cost of raw materials is determined by the content levels of silver, lead and palladium at market prices at the time of purchase; other types of minerals or metals are generally not taken into account when determining purchase price. The amount decreased mainly because of the decrease in sales.

New Jewellery Retail segment operated under CSMall Group

Cost of sales mainly represents cost of materials used for the production of gold, silver and jewellery products. Except for silver, other materials like gold, amber and diamond are sourced from independent third parties. The amount increased mainly because of the increase in segment sales and increase in sales of gold products with relatively lower gross profit margin during the year.

Silver Exchange segment

Cost of sales and services provided mainly represents cost of materials and direct expenses incurred for trading of silver and the operation of the online exchange platform. The amount was approximately equal to that for the last year.

Gross profit and gross profit margin

The Group recorded gross profit of approximately RMB138.9 million (2020: RMB433.2 million) for the year ended 31 December 2021, a significant decrease of approximately 67.9% as compared to that of 2020, mainly due to the gross profit of the Manufacturing segment decreased significantly by approximately 88.0% as a result of the suspension of production. The Manufacturing segment concentrated on the silver trading business with lower gross profit margin after the suspension, resulting in a decrease in gross profit margin of the Manufacturing segment, as well as the sales of gold products with relatively lower gross profit margin increased in the New Jewellery Retail segment operated by the CSMall Group during the year, resulting in the decrease in the overall gross profit margin of the Group to approximately 6.0% for the year (2020: 9.1%).

Selling and distribution expenses

Selling and distribution expenses increased by approximately 7.4% from approximately RMB28.3 million for the year ended 31 December 2020 to approximately RMB30.4 million for the year ended 31 December 2021. This was mainly due to the increase in restoration expenses arising from shutdown of stores and sales commission of the third-party online sales channels of the New Jewellery Retail segment operated under the CSMall Group.

Administrative expenses

Administrative expenses increased slightly by approximately 3.3% from approximately RMB96.6 million for the year ended 31 December 2020 to approximately RMB99.8 million for the year ended 31 December 2021. The increase was primarily attributable to the reclassification of indirect production costs to administrative expenses in the Manufacturing segment due to the suspension of production, which was partially offset by the decrease in staff costs due to the reduction in the number of staff and increase in efficiency of the New Jewellery Retail segment operated under the CSMall Group.

Write-off of inventories

Between 23 April and 20 May 2021, the Yongfeng Ecology and Environment Bureau issued the Notices to Jiangxi Longtianyong. Pursuant to the Notices, the Yongfeng Ecology and Environment Bureau inspected Jiangxi Longtianyong's premises and found that the production and storage facilities of Jiangxi Longtianyong had been in contravention of certain national environmental laws and has ordered Jiangxi Longtianyong to suspend its production activities from 26 April 2021 onwards pending completion of certain rectification measures. These rectification measures included (i) the disposal of certain hazardous waste stored in production workshops and warehouses; and (ii) the demolition of certain existing non-compliant facilities and construction of certain new compliant facilities according to the recommendations of the environmental specialist and with the approval of the competent governmental authorities. Further details are set out in the announcement published on 7 June 2021.

In regard to the rectification measure of disposal of hazardous waste stored in production workshops and warehouses, certain of Jiangxi Longtianyong's inventory of raw materials which had previously been refined for production purposes was deemed to be hazardous waste pursuant to the Notices and was ordered to be disposed of. Accordingly, a one-off write-off of inventories of approximately RMB2,408.5 million was recorded for the year ended 31 December 2021 (2020: nil).

Other gains and losses

Other gains and losses increased to approximately RMB11.1 million for the year ended 31 December 2021 from approximately RMB9.7 million for the year ended 31 December 2020. Other gains and losses for the year mainly include loss on write-off and disposal of property, plant and equipment of approximately RMB12.0 million (2020: nil). The loss on write-off and disposal of property, plant and equipment includes the loss on write-off and disposal of property, plant and equipment of approximately RMB10.6 million during the year ended 31 December 2021, resulting from the Group's demolition of non-compliant facilities of Jiangxi Longtianyong in accordance with the competent governmental authorities' requirements amounting to approximately RMB7.6 million, and the Group's enhancement of production processes and replacement of dilapidated equipment amounting to approximately RMB3.0 million.

For the year ended 31 December 2020, other gains and losses included the trading expenses of approximately RMB3.6 million in relation to the pilot expansion into a new business of COVID-19 diagnostic kit distribution in collaboration with a pharmaceutical company in the PRC and the one-off net loss of approximately RMB12.5 million on inventory write-off. Such pilot expansion recorded trading income of approximately RMB2.7 million and net exchange gain of approximately RMB3.0 million.

Net loss on termination of assignment contract in relation to acquisition of a land use right

During the year ended 31 December 2020, Huzhou Baiyin, an indirect wholly-owned subsidiary under CSMall Group, entered into a termination agreement and a compensation agreement to terminate the acquisition of the land use right over a piece of land located in Huzhou, the PRC (please refer to the section headed "Significant Investment Held, Material Acquisition and Disposal" below for details). In accordance with the terms of the agreements, the Huzhou Committee agreed to refund the deposits received of approximately RMB270.9 million and compensate Huzhou Baiyin for certain capital expenditure, other related expenses and certain taxes paid. A net loss on termination of assignment contract in relation to the acquisition of a land use right of approximately RMB27.4 million was recorded during the last year. There was no such related loss for the year ended 31 December 2021.

Income tax credit (expense)

The income tax expense for the year ended 31 December 2020 amounted to approximately RMB47.4 million as compared to the income tax credit of approximately RMB6,000 for the year ended 31 December 2021. Such turnaround is mainly because there was a taxable loss recorded in the current year, and also because Shanghai Huatong was recognised as a High and New Technology Enterprise during the year, such that it was entitled to a concessionary tax rate of 15% since last year, resulting in reversal of overprovision in respect of prior years being made during the year.

(Loss) profit attributable to owners of the Company

For the year ended 31 December 2021, the loss attributable to owners of the Company amounted to approximately RMB2,412.9 million (2020: profit of approximately RMB227.5 million). Such turnaround from profit to loss is mainly attributable to the combined effects of (i) the one-off write-off of inventories of approximately RMB2,408.5 million recorded by the Manufacturing segment; (ii) the loss on write-off and disposal of property, plant and equipment of approximately RMB10.6 million recorded by the Manufacturing segment; (iii) a substantial decrease in segment revenue and gross profit of the Manufacturing segment due to the suspension of production; and (iv) less sales recorded by the Silver Exchange segment in the current year due to stable prices in the international silver market; far more than offsetting (i) the net reversal of impairment loss recognised in respect of trade receivables of approximately RMB9.0 million in the current year (2020: net provision for impairment loss recognised in respect of trade receivables of approximately RMB10.5 million); (ii) the absence in this year of the net loss on termination of assignment contract in relation to acquisition of a land use right recorded in last year; and (iii) the absence in this year of the loss in relation to the pilot expansion into a new business of COVID-19 diagnostic kit distribution in collaboration with a pharmaceutical company in the PRC recorded in last year.

Inventories, trade receivables and trade payables turnover cycle

The Group's inventories mainly comprise silver bars, colored gemstones, jewellery products and gold bars. For the year ended 31 December 2021, inventory turnover days increased to approximately 306.2 days (2020: 206.0 days), mainly due to a decrease in sales in the current year, resulting in slow turnover of inventories.

The turnover days for trade receivables for the year ended 31 December 2021 were approximately 9.4 days (2020: 17.6 days), mainly due to a decrease in sales at the end of the year, resulting in a decrease in trade receivables for the current year.

The turnover days for trade payables for the year ended 31 December 2021 were approximately 13.8 days (2020: 8.9 days), mainly due to the Group's slowing down of payment process towards the year end.

Borrowings

As of 31 December 2021, the Group's bank borrowings balance amounted to approximately RMB230.0 million, which was carried at fixed interest rate (2020: RMB205.0 million, of which approximately RMB202.0 million was carried at fixed interest rate and approximately RMB3.0 million was carried at floating interest rate). The amounts would be due for repayment within one year.

As at 31 December 2021, the Group had no trade loans (2020: RMB10.0 million carried at fixed rate and due for repayment within one year).

The Group's net gearing ratio was calculated on the basis of the bank borrowings less bank balances and cash (2020: total bank borrowings and trade loans less bank balances and cash) as a percentage of total equity. As of 31 December 2021, the Group was in a net cash position with a net gearing ratio of approximately -7.0% (2020: -26.8%).

Capital expenditures

For the year ended 31 December 2021, the Group invested approximately RMB28.7 million in property, plant and equipment (2020: RMB22.0 million).

For the year ended 31 December 2021, the Group paid deposits and other direct costs of approximately RMB1.3 million in relation to the acquisition of property, plant and equipment (2020: RMB19.7 million for deposits and other direct costs for acquisition of intangible assets and property, plant and equipment).

Pledge of assets

As at 31 December 2021, assets with the following carrying amounts were pledged to secure general banking facilities.

	2021	2020
	RMB'000	*RMB'000*
– Property, plant and equipment	**67,415**	82,440
– Leasehold land (included in right-of-use assets)	**16,326**	–
– Pledged bank deposits	**40,000**	47,008
– Inventories	**–**	270,859
– Trade receivables	**–**	75,000
– VAT rebate receivable	**–**	41,822
	123,741	517,129

Capital commitments

	2021	2020
	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements:		
– Property, plant and equipment	**9,099**	15,307

Contingent liabilities

As at 31 December 2021 and 31 December 2020, the Group did not have any contingent liabilities.

Employees

As of 31 December 2021, the Group employed 289 staff members (2020: 914 staff members) and the total remuneration for the year ended 31 December 2021 amounted to approximately RMB43.8 million (2020: RMB55.2 million). The decrease was mainly due to the decrease in the number of staff in the current year. The Group's remuneration packages are in line with the current laws in the relevant jurisdictions, the experience and qualifications of individual employees and the general market conditions. Bonuses are linked to the Group's financial results as well as to individual performances. The Group ensures that adequate training and professional development opportunities are provided to all employees so as to satisfy their career development needs.

Liquidity and financial resources

The Group maintained a healthy liquidity position during the year. The Group was principally financed by internal resources and bank borrowings. The Group's principal financial instruments comprise bank balances and cash, restricted bank balances, trade and other receivables, trade, bills and other payables and bank borrowings. As of 31 December 2021, bank balances and cash, net current assets and total assets less current liabilities were approximately RMB316.8 million (2020: RMB1,193.0 million), RMB980.3 million (2020: RMB3,364.4 million) and RMB1,261.4 million (2020: RMB3,682.1 million), respectively. As of 31 December 2021, the Group had bank borrowings amounting to approximately RMB230.0 million (2020: bank borrowings of RMB205.0 million and trade loans of RMB10.0 million).

Dividend

No final dividend for the year ended 31 December 2021 was proposed (2020: Nil).

Significant investment held, material acquisition and disposal

Termination of assignment contract in relation to acquisition of a land use right

Between 29 and 30 June 2020, Huzhou Baiyin, an indirect wholly-owned subsidiary under CSMall Group, entered into a termination agreement with the Huzhou Committee and the Bureau, and a compensation agreement with the Huzhou Committee, pursuant to which (a) the Huzhou Committee and the Bureau agreed to terminate the Acquisition described in the above paragraph headed "Net loss on termination of assignment contract in relation to acquisition of a land use right"; and (b) the Huzhou Committee agreed to (i) refund the deposits received amounting to approximately RMB270.9 million; (ii) compensate Huzhou Baiyin for the capital expenditure and other expenses incurred by the Group in connection with the exploration, design and pre-construction works on the land; and (iii) compensate Huzhou Baiyin for certain taxes paid by another indirect wholly-owned subsidiary under CSMall Group.

Up to 31 December 2020, the Group paid an aggregate amount of approximately RMB232.5 million of deposits and other direct costs of approximately RMB26.7 million in relation to the Acquisition. Deposits of approximately RMB245.6 million were received by the Group during the year ended 31 December 2020 and a refundable amount of approximately RMB25.3 million was accounted as other receivables at 31 December 2020. Respective net loss on termination of assignment contract in relation to the Acquisition of approximately RMB27.4 million was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020. As at 31 December 2021, a refund of approximately RMB25.3 million has been further received in full.

Entering into the New Investment Agreement in relation to acquisition of the 51% effective ownership in the Target Company

On 29 August 2021, Shenzhen Guojintongbao Company Limited* (深圳國金通寶有限公司) ("**Shenzhen Guojintongbao**", a wholly-owned subsidiary of CSMall Group and a non-wholly-owned subsidiary of the Group), and Bric (Suzhou) Agriculture Information Technology Co., Ltd.* (布瑞克(蘇州)農業互聯網股份有限公司) ("**Bric Suzhou**", as an existing shareholder of the Target Company), among others, entered into the acquisition agreement, pursuant to which Shenzhen Guojintongbao has agreed to acquire, and Bric Suzhou has agreed to sell, 94% effective ownership in the Target Company, through a series of contracts (the "**Original Agreement**") to be entered into between Shenzhen Guojintongbao, Bric Suzhou and the Target Company, for a consideration of RMB94,000,000 to be satisfied by the allotment and issue of 100,000,000 new ordinary shares of CSMall Group. For further details of the transactions under the Original Agreement, please refer to the joint announcement dated 29 August 2021 and clarified on 30 August 2021. On 31 December 2021, Shenzhen Guojintongbao and Bric Suzhou, among others, agreed to terminate the Original Agreement, and hence the transactions thereunder did not and would not proceed.

On 31 December 2021, Shenzhen Guojintongbao, Bric Suzhou, Suzhou Nonggou Daohe Investment Management Center (Limited Partnership)* (蘇州農購道合投資管理中心(有限合夥)) ("**Suzhou Nonggou Daohe**", as an existing shareholder of the Target Company), Mr. Sun Tung (as the actual controller of Bric Suzhou and Suzhou Nonggou Daohe) and the Target Company entered into the new investment agreement (the "**New Investment Agreement**"), pursuant to which Shenzhen Guojintongbao shall obtain 51% effective ownership in the Target Company in consideration for the capital injection of RMB26,000,000 payable in cash to the Target Company in two installments.

Incorporated in 2015, the Target Company is the developer and operator of the "農牧人" ("Nongmuren", meaning farmers and herdsmen) S2B2C platform, which was officially launched in May 2021 and which provides branding and SaaS (software as a service) services to enterprises along the agricultural supply chain as well as small and medium-sized businesses in the PRC.

On 10 January 2022, all of the conditions precedent under the New Investment Agreement were fulfilled and completion of the transaction contemplated under the New Investment Agreement (other than the payment of the second installment of the capital injection to the Target Company) (the "**Completion**") took place accordingly. Immediately upon Completion, the Target Company is consolidated as a non-wholly-owned subsidiary of CSMall Group with 51% effective ownership, and is in turn also consolidated as a non-wholly-owned subsidiary of the Group.

Further details of the transaction are set out in the joint announcements dated 31 December 2021 and 10 January 2022.

Save as disclosed above, the Group did not hold any significant investment nor did the Group carry out any significant acquisition and disposal during the year ended 31 December 2021.

Event after the Reporting Period

On 10 January 2022, Shenzhen Guojintongbao made the first installment of capital injection in an amount of RMB6,000,000 to the Target Company and all of the conditions precedent under the New Investment Agreement entered into by Shenzhen Guojintongbao had been fulfilled, and Completion had taken place accordingly. Immediately upon Completion, the Target Company is consolidated as a non-wholly-owned subsidiary of CSMall Group with 51% effective ownership, and is in turn also consolidated as a non-wholly-owned subsidiary of the Group. For details, please refer to the section headed "Significant investment held, material acquisition and disposal" above. On 2 April 2022, a further capital injection of RMB3,000,000 out of the second installment of RMB20,000,000 was made to the Target Company.

In addition, on 23 February 2022, the Company conditionally agreed to allot and issue an aggregate of 325,680,117 subscription shares, representing approximately 20.0% of the issued share capital of the Company before the issuance, to three investors at the subscription price of HK$0.59 per subscription share. The gross proceeds to be received from the subscriptions amount to HK$192,151,269.03. After deducting all expenses payable by the Company in connection with the subscriptions (currently expected to be approximately HK$1,000,000), the net proceeds received from the subscriptions are expected to be approximately HK$191,151,269.03 which will be used for (i) the rectification works on the production and other facilities of Jiangxi Longtianyong; (ii) the procurement of raw materials after the full resumption of production activities at Jiangxi Longtianyong; (iii) the repayment of certain bank borrowing(s) of the Group; and (iv) general working capital of the Group. The subscriptions were completed on 7 April 2022. Further details of the subscriptions are set out in the announcements dated 23 February 2022, 29 March 2022 and 7 April 2022.

Additional Information regarding the Disclaimer of Audit Opinion

In connection with the independent auditor's disclaimer of opinion set forth in the section headed "OTHERS – Extract of the Independent Auditor's Report" below (the "**Disclaimer of Audit Opinion**"), the Company would like to provide shareholders and potential investors with additional information regarding the matters from which the Disclaimer of Audit Opinion has arisen, and the views of the Company's management (the "**Management**") and the Company's Audit Committee (the "**Audit Committee**").

In respect of "scope limitation on inability to obtain sufficient appropriate audit evidence concerning inventory write-off on the disposal dates"

As explained in the sections headed "NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 11. INVENTORIES", "MANAGEMENT DISCUSSION AND ANALYSIS" and "FINANCIAL REVIEW – Write-off of inventories" above, certain of Jiangxi Longtianyong's inventory of raw materials which had previously been refined for production purposes was deemed to be hazardous waste and was ordered to be disposed of (the "**Inventory Disposal**"), and accordingly a one-off write-off of inventories of RMB2,408,511,000 was recorded for the year ended 31 December 2021.

The aforesaid inventory of raw materials was ordered by the relevant governmental authorities to be disposed of in a speedy manner. As explained in the Disclaimer of Audit Opinion, since the independent auditor did not observe the counting of physical inventories in the process of disposing of the relevant inventories, the independent auditor was unable to satisfy itself by alternative means concerning the inventory condition and inventory quantity being disposed of on relevant disposal dates and hence the independent auditor was unable to obtain sufficient appropriate audit evidence to substantiate the amount of the inventories being written off, and any adjustments that might have been found necessary might have significant consequential effect on the Group's financial performance and cash flows for the year ended 31 December 2021.

The Company would like to emphasize that (i) the Inventory Disposal was a one-off event; and (ii) the aforesaid write-off in the amount of RMB2,408,511,000 corresponded to the entirety of the carrying value of the inventories being disposed of as recorded in the Group's accounts prior to the Inventory Disposal. In other words, such write-off already represented the one-time and total reduction of the carrying value of the inventories concerned from RMB2,408,511,000 to zero.

On the basis of the above, the Management is of the view that there is no possibility of any further adverse adjustment to the effect of the Inventory Disposal on the Group's financial position.

As the Inventory Disposal took place during 2021 and its effect on the Group's financial position has been fully reflected in the Group's consolidated financial statements for the year ended 31 December 2021, the Management expects that the independent auditor's disclaimer relating to the Inventory Disposal will be removed in the independent auditor's report for the year ending 31 December 2022 except for the effect on the comparative figures for the year ended 31 December 2021.

The Audit Committee has reviewed and agreed with the Management's position set forth above.

In respect of "material uncertainties relating to going concern"

As explained in the section headed "NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS" above, notwithstanding that the Group's consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis, there are conditions that indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern, including (i) the suspension of production activities at Jiangxi Longtianyong; and (ii) the net current liability and net total liability position of the Group as of 31 December 2021 after excluding assets and liabilities attributable to CSMall Group.

As explained in the Disclaimer of Audit Opinion, the independent auditor was unable to obtain sufficient appropriate evidence from the Management for their underlying assumptions on going concern, including (i) the successful full resumption of the production activities in Jiangxi Longtianyong and successful generation of positive operating cash flow to the Group; (ii) the successful negotiations with the lender (the "**Relevant Lender**") for the renewal of or extension for repayment of outstanding borrowings of RMB150,000,000; and (iii) the successful obtaining of additional new sources of financing as and when needed, and hence the independent auditor was unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

The Company would like to emphasize that:

(i) As explained in the Company's announcement dated 22 February 2022 and in the section headed "MANAGEMENT DISCUSSION AND ANALYSIS" above, substantive progress has been made in the rectification of Jiangxi Longtianyong's production facilities, and the Company targets to fully resume production activities at Jiangxi Longtianyong in the second quarter of 2022;

(ii) With respect to the outstanding borrowings of RMB150,000,000 referred to in the Disclaimer of Audit Opinion, such borrowings will be due between June and December 2022, and Jiangxi Longtianyong has obtained the Relevant Lender's written assurance that, subject to the satisfaction of certain conditions before the end of 2023, the Relevant Lender will not demand Jiangxi Longtianyong to repay such borrowings before they become due and will allow Jiangxi Longtianyong to renew such borrowings when they become due; and

(iii) As explained in the sections headed "NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS" and "FINANCIAL REVIEW – Event after the Reporting Period" above, the Company received net proceeds of approximately HK$191,151,000 or RMB155,108,000 from three investors' subscriptions for new shares of the Company which were completed on 7 April 2022, thereby replenishing the Group's working capital.

On the basis of the above, the Management is of the view that there is no significant doubt on the Group's ability to continue as a going concern, and hence it is appropriate to prepare the Group's consolidated financial statements for the year ended 31 December 2021 on a going concern basis.

Based on the expectation that Jiangxi Longtianyong's production activities could be successfully resumed and could generate positive operating cash flow to the Group and that the outstanding borrowings of RMB150,000,000 could be successfully renewed or extended upon the respective maturities in accordance with the Relevant Lender's written assurance, the Management expects that the independent auditor's disclaimer relating to going concern will be removed in the independent auditor's report for the year ending 31 December 2022.

The Audit Committee has reviewed and agreed with the Management's position set forth above.

OTHERS

Closure of Register of Members

The register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the annual general meeting to be held on Wednesday, 29 June 2022, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 23 June 2022 for registration of transfer.

Code of Corporate Governance Practice

The Stock Exchange has announced amendments to Appendix 14 to the Listing Rules which shall apply to corporate governance reports for financial years commencing on or after 1 January 2022. Appendix 14 of the Listing Rules has been restructured and renamed from "Corporate Governance Code and Corporate Governance Report" to Corporate Governance Code" and the code provision numbers are updated. As such, the code provision numbers mentioned in this announcement are referring to the code provision numbers in the predecessor Appendix 14 to the Listing Rules unless otherwise stated.

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. As at the date of this announcement, the Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2021, the Company has complied with the then-effective code provisions under the CG Code, except for the following deviation:

Pursuant to code provision A.2.1 (now C.2.1) of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the resignation of Mr. Sung Kin Man, former Chief Executive Officer of the Company, on 1 January 2019, Mr. Chen Wantian has served as both the Chairman and the Chief Executive Officer of the Company. The Board will continue to review the situation and consider splitting the roles of Chairman and Chief Executive Officer of the Company in due course after taking into account of the then overall circumstances of the Group.

Pursuant to code provision A.6.7 (now C.1.6) of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other engagements, two independent non-executive Directors were unable to attend the annual general meeting held on 15 June 2021.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the securities of the Company. Having made specific enquiry with all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the year ended 31 December 2021.

Purchase, Sale or Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

Audit Committee

The Audit Committee has reviewed the financial reporting processes, risk management and internal control systems of the Group and discussed with the external auditor the audited consolidated financial statements for the year ended 31 December 2021. The Audit Committee is of the opinion that these statements had complied with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures had been made.

Review of Audited Annual Results by the Auditor

The figures in respect of this audited results announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on this audited results announcement.

Extract of the Independent Auditor's Report

The following (in *italics*) is extracted from the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2021 in respect of certain disclaimer of opinion arising from the scope limitation on inability to obtain sufficient appropriate audit evidence concerning inventory write-off on the disposal dates and material uncertainties relating to going concern.

In the following extract, references to "Note 3 to the consolidated financial statements" and "Note 24 to the consolidated financial statements" correspond to the sections headed "NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS" and "NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – 11. INVENTORIES", respectively, in this announcement.

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Silver Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [•] to [•], which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation on inability to obtain sufficient appropriate audit evidence concerning inventory write-off on the disposal dates

As described in Note 24 to the consolidated financial statements, during the year ended 31 December 2021, pursuant to the two administrative penalty notices and a rectification notice (collectively, the "Notices") issued by the Ji'an City Yongfeng Ecology and Environment Bureau（吉安市永豐生態環境局）(the "Yongfeng Ecology and Environment Bureau") and imposed on the Group's wholly-owned subsidiary, Jiangxi Longtianyong Nonferrous Metals Co. Ltd. ("Jiangxi Longtianyong") following on-site inspection by the Yongfeng Ecology and Environment Bureau on Jiangxi Longtianyong, inventory of raw materials with an quantity of approximately of 26,000,000 kilogram and an amount of approximately of RMB2,408,511,000, which were held for the production purpose, were considered to be hazardous materials, ordered to be properly handled and disposed of. As a result, there was a write-off of inventories of RMB2,408,511,000 recognised in the consolidated statement of profit or loss and other comprehensive income.

Since we did not observe the counting of physical inventories in the process of disposing of the relevant inventories, we were unable to satisfy ourselves by alternative means concerning the inventory condition and inventory quantity being disposed of on relevant disposal dates and hence we were unable to obtain sufficient appropriate audit evidence to substantiate the amount of the inventories being written off. Any adjustments that might have been found necessary might have significant consequential effect on the Group's financial performance and cash flows of the Group for the year then ended, and the related disclosures thereof in the consolidated financial statements.

Material uncertainties relating to going concern

As of 31 December 2021, the Group had current assets of RMB1,580,409,000, current liabilities of RMB600,087,000, net current assets of RMB980,322,000 and net assets of RMB1,233,307,000. However, when the Group excluded the current assets of RMB1,480,243,000 and current liabilities of RMB108,239,000 that are attributable to its non-wholly-owned subsidiary, CSMall Group Limited ("CSMall Cayman", which separately listed on The Stock Exchange of Hong Kong Limited and as at the date of this report, the Group held approximately 40.39% interest in the issued share capital of CSMall Cayman), the Group's current liabilities would exceed its current assets by RMB391,682,000 and the Group had net liabilities of RMB163,782,000, in which included the liabilities attributable to the Group excluding CSMall Cayman are bank borrowings amounted to RMB230,000,000 of which RMB10,000,000 due in February 2022 and RMB70,000,000 due in March 2022, bill payables of RMB80,000,000 that will be partially settled by pledged bank deposits of RMB40,000,000 and the remaining RMB40,000,000 due in February 2022, while its unrestricted bank balances and cash only amounted to RMB4,156,000.

In addition, as described in Note 24 to the consolidated financial statements, Jiangxi Longtianyong is subjected to the Notices issued by the Yongfeng Ecology and Environment Bureau to properly dispose of its inventories and to undertake other rectification measures including demolition of non-compliant facilities and construction of new compliant facilities, which led to suspension of production and operation of the Group's operating segment of manufacturing, sales and trading of silver ingots, palladium and other non-ferrous metals in the PRC and accordingly impacted on the full resumption of its production and operation thereof.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay, renew or extend existing borrowings and other liabilities upon their maturities, through cash flows from operations and continuing support from the Group's finance providers and creditors. The appropriateness of preparation of the consolidated financial statements on the going concern basis highly depends on whether the assumptions taken into account by the directors of the Company in the going concern assessment as disclosed in Note 3 to the consolidated financial statements are reasonable and whether the plans and measures can be implemented successfully. As of the date of our report, we were unable to obtain sufficient appropriate evidence from management for their underlying assumptions on going concern as set out in Note 3 to the consolidated financial statements, including (i) the successful full resumption of the production activities in Jiangxi Longtianyong and successfully generating positive operating cash flow to the Group; (ii) the successful negotiations with the lender for the renewal of or extension for repayment of outstanding borrowings of RMB150,000,000 and (iii) the successful obtaining of additional new sources of financing as and when needed. Hence we were unable to assess the appropriateness or reasonableness of the use of the going concern assumption in the preparation of the consolidated financial statements.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in Note 3 to the consolidated financial statements, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net realisable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Acknowledgement

Gratitude is expressed to the management and all of our staff for their hard work and dedication, as well as our shareholders and customers for their continuous support to the Group.

Publication of Results Announcement and Annual Report

This audited annual results announcement is published on the websites of the Company (www.chinasilver.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

On the basis of the reasons set forth in the Company's announcement dated 26 April 2022, the Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with Rule 13.46(2)(a) of the Listing Rules on the condition that the Company will dispatch its 2021 annual report on or before 27 May 2022 and disclose such waiver by way of an announcement. As such, the 2021 annual report of the Company will be dispatched to the shareholders of the Company and made available on the same websites on or before 27 May 2022.

By Order of the Board
China Silver Group Limited
Chen Wantian
Chairman

Hong Kong, 13 May 2022

As at the date of this announcement, the executive directors of the Company are Mr. Chen Wantian, Mr. Song Guosheng and Mr. Liu Jiandong; and the independent non-executive directors of the Company are Mr. Song Hongbing, Dr. Li Haitao and Dr. Zeng Yilong.

* *For identification purpose only*